

MILLINGTON ARBELA DISTRICT LIBRARY  
Tuscola County, Michigan

FINANCIAL REPORT  
WITH SUPPLEMENTAL INFORMATION

March 31, 2005

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Millington Arbela District Library</b>	County <b>Tuscola</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>5/25/05</b>	Date Accountant Report Submitted to State: <b>7/8/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

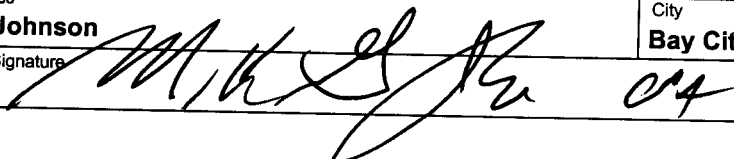
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			<input checked="" type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) <b>Quast, Janke &amp; Company, CPA's, P.C.</b>			
Street Address <b>1010 N Johnson</b>		City <b>Bay City</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>48708</b>	Date <b>7/12/05</b>

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# *Quast, Janke and Company, P.C.*

*Certified Public Accountants*

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*Members:*

*American Institute of C.P.A.'s*

*Michigan Association of C.P.A.'s*

May 25, 2005

To the Library Board  
of the Millington Arbela District Library  
8530 Depot Street  
Millington, MI 48746

We have audited the accompanying financial statements of the governmental activities of the major fund of the Millington Arbela District Library, Tuscola County, Michigan, as of and for the period ended March 31, 2005, which collectively comprise Millington Arbela District Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Millington Arbela District Library, Tuscola County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

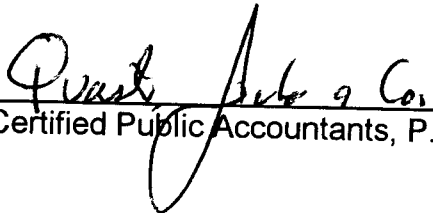
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Millington Arbela District Library, Tuscola County, Michigan as of March 31, 2005, and for the period then ended in conformity with accounting principles generally accepted in the United States of America.

The Millington Arbela District Library has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments, as of March 31, 2005. However, management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Millington Arbela District Library, Tuscola County, Michigan basic financial statements. The individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

QUAST, JANKE AND COMPANY

  
Certified Public Accountants, P.C.

MILLINGTON ARBELA DISTRICT LIBRARY  
Tuscola County, Michigan

STATEMENT OF NET ASSETS  
March 31, 2005

	Governmental Activities
ASSETS:	
Cash	
Delinquent taxes receivable	\$ 157,473.26
Due from County	17,585.62
Capital assets	3,937.10
Accumulated depreciation	318,595.51
	<u>(291,097.80)</u>
Total Assets	206,493.69
LIABILITIES:	
Accounts payable	
	<u>9,036.06</u>
NET ASSETS:	
Investment in capital assets net of related debt	27,497.71
Unrestricted	<u>169,959.92</u>
Total Net Assets	\$ <u><u>197,457.63</u></u>

The accompanying notes are an integral part of the financial statements.

MILLINGTON ARBELA DISTRICT LIBRARY  
Tuscola County, Michigan

STATEMENT OF ACTIVITIES  
For the Nine Months Ended March 31, 2005

	Program Revenues			Governmental Activities Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants/ Contributions	
PRIMARY GOVERNMENT:				
Cultural and Recreation - Library	\$ <u>82,875.22</u>	\$ <u>3,941.85</u>	\$ <u>1,974.68</u>	\$ (76,958.69)
GENERAL PURPOSE REVENUES:				
Property taxes				148,341.31
State shared revenues				3,348.19
Investment earnings				265.33
Fines				35,989.37
Other				<u>159.74</u>
Total General Purpose Revenues				<u>188,103.94</u>
Change in Net Assets				111,145.25
Equity transfer from Millington Township Library				86,312.38
Net Assets - Beginning				<u>0.00</u>
Net Assets - End of Year				\$ <u>197,457.63</u>

The accompanying notes are an integral part of the financial statements.

MILLINGTON ARBELA DISTRICT LIBRARY  
Tuscola County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET  
March 31, 2005

	GENERAL
ASSETS:	
Cash	
Delinquent taxes receivable	\$ 157,473.26
Due from County	17,585.62
	<u>3,937.10</u>
TOTAL ASSETS	\$ <u>178,995.98</u>
LIABILITIES:	
Accounts payable	\$ 9,036.06
FUND EQUITY:	
Reserved	0.00
Unreserved	<u>169,959.92</u>
TOTAL FUND EQUITY	<u>169,959.92</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>178,995.98</u>

The accompanying notes are an integral part of the financial statements.



MILLINGTON ARBELA DISTRICT LIBRARY  
Tuscola County, Michigan

GOVERNMENTAL FUNDS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS  
March 31, 2005

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ 169,959.92
Amounts reported for governmental activities in the statement of net assets are different because -	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Capital assets at cost	318,595.51
Accumulated depreciation	<u>(291,097.80)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$ <u>197,457.63</u>

The accompanying notes are an integral part of the financial statements.

MILLINGTON ARBELA DISTRICT LIBRARY  
Tuscola County, Michigan

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
For the Nine Months ended March 31, 2005

REVENUES:	
Taxes	\$ 148,341.31
State Grants	3,348.19
Charges for Services	3,941.85
Fines and Forfeits	35,989.37
Interest and Rentals	265.33
Other Revenue	<u>2,134.42</u>
Total Revenues	194,020.47
EXPENDITURES:	
Cultural and Recreation - Library	<u>76,654.91</u>
NET CHANGE IN FUND BALANCE	117,365.56
FUND BALANCE - BEGINNING	0.00
Equity transfer from Millington Township Library	<u>52,594.36</u>
FUND BALANCE - END OF YEAR	\$ <u><u>169,959.92</u></u>

The accompanying notes are an integral part of the financial statements.

MILLINGTON ARBELA DISTRICT LIBRARY  
Tuscola County, Michigan

GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
For the Nine Months Ended March 31, 2005

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND	\$ 117,365.56
Amounts reported for governmental activities in the statement of activities are different because -	
Governmental funds report capital outlays as expenditures in the statement of activities, these costs are allocated over their estimated lives as depreciation:	
Depreciation expense	(10,135.72)
Capital outlay	<u>3,915.41</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>111,145.25</u></u>

The accompanying notes are an integral part of the financial statements.

MILLINGTON ARBELA DISTRICT LIBRARY  
Tuscola County, Michigan

NOTES TO THE FINANCIAL STATEMENTS  
March 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Millington Arbela District Library (Library) conform to accounting policies generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the Library.

**Reporting Entity**

The District Library was formed effective August 2, 2004 by agreement between the Township of Millington and the Township of Arbela. From August 2, 2004 until a permanent seven (7) member board is elected, the District Library will be governed by a seven (7) member board appointed by Millington Township (four members) and Arbela Township (three members).

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Accordingly, there are no component units to be included in the Library's financial report.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

MILLINGTON ARBELA DISTRICT LIBRARY  
Tuscola County, Michigan

NOTES TO THE FINANCIAL STATEMENTS  
March 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**District-wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Fund Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be "available" if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Library reports the following major governmental fund:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library except those required to be accounted for in another fund, of which there are none.

**Assets, Liabilities and Net Assets or Equity**

**Deposits** - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

MILLINGTON ARBELA DISTRICT LIBRARY  
Tuscola County, Michigan

NOTES TO THE FINANCIAL STATEMENTS  
March 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

**Capital Assets** - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Furniture and equipment	5 - 10 years
Library books, periodicals, and videos	5 years

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

**Budgetary Information** - Annual budgets are prepared and adopted by the Library Board and subsequent amendments are approved by the Library Board. Unexpended appropriation lapse at year end; Encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 DEPOSITS AND INVESTMENTS:

Michigan Compiled Laws, Section 129.91, authorizes library units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; banker's acceptances of United States banks; commercial paper rated within two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed on investment vehicles that are legal for direct investment by local units of government in Michigan.

MILLINGTON ARBELA DISTRICT LIBRARY  
Tuscola County, Michigan

NOTES TO THE FINANCIAL STATEMENTS  
March 31, 2005

NOTE 3 DEPOSITS AND INVESTMENTS (continued):

The Library has no investments.

The Library has designated Mayville State Bank for the deposit of Library Funds. The Library's deposits and investment policy are in accordance with statutory authority.

At period end, the Library's deposits were reported in the basic financial statements in the following categories:

	<u>Balance Sheet Category</u> <u>Cash and Cash Equivalents</u>
GASB No. 34 classifications	
Deposits	\$ 157,473.26
Investments	<u>0.00</u>
Total	<u>\$ 157,473.26</u>

The bank balance of the primary government's deposits is \$157,473.26 of which \$100,000.00 is covered by federal depository insurance.

NOTE 4. CAPITAL ASSETS:

Capital asset activity of the governmental activities for the current period was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Furniture and equipment	\$ 84,383.90	\$ 0	\$ 0	\$ 84,383.90
Library books, periodicals and videos	<u>230,296.20</u>	<u>3,915.41</u>	<u>0</u>	<u>234,211.61</u>
Total Capital Assets	314,680.10	3,915.41	0	318,595.51
Less accumulated depreciation	<u>280,962.08</u>	<u>10,135.72</u>	<u>0</u>	<u>291,097.80</u>
Net capital assets	<u>\$ 33,718.02</u>	<u>\$ (6,220.31)</u>	<u>\$ 0</u>	<u>\$ 27,497.71</u>

Depreciation expense was \$10,135.72 for the period ended March 31, 2005.

MILLINGTON ARBELA DISTRICT LIBRARY  
Tuscola County, Michigan

NOTES TO THE FINANCIAL STATEMENTS  
March 31, 2005

NOTE 5. RISK MANAGEMENT:

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Library has purchased commercial insurance for employee injury claims for claims relating to property loss, torts, and errors and omissions.

NOTE 6. TRANSFER OF ASSETS:

On August 2, 2004, all of the assets and liabilities of the Millington Township Library were transferred to the Millington Arbela District Library.



REQUIRED SUPPLEMENTAL INFORMATION

MILLINGTON ARBELA DISTRICT LIBRARY  
Tuscola County, Michigan

BUDGET COMPARISON SCHEDULE - GENERAL FUND  
For the Nine Months Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual
REVENUES:			
Taxes	\$ 0.00	\$ 0.00	\$ 148,341.31
State Grants	3,344.00	6,500.00	3,348.19
Charges for Services	4,163.00	3,198.00	3,941.85
Fines & Forfeits	22,000.00	35,000.00	35,989.37
Interest and Rentals	225.00	225.00	265.33
Other Revenue	<u>900.00</u>	<u>2,100.00</u>	<u>2,134.42</u>
Total Revenues	30,632.00	47,023.00	194,020.47
EXPENDITURES:			
Cultural and Recreation - Library	<u>68,225.00</u>	<u>74,991.00</u>	<u>76,654.91</u>
NET CHANGE IN FUND BALANCE	(37,593.00)	(27,968.00)	117,365.56
FUND BALANCE - BEGINNING	<u>37,593.00</u>	<u>27,968.00</u>	<u>52,594.36</u>
FUND BALANCE - END OF YEAR	\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>169,959.92</u>

## OTHER SUPPLEMENTAL INFORMATION

MILLINGTON ARBELA DISTRICT LIBRARY  
Tuscola County, Michigan

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
For the Nine Months ended March 31, 2005

REVENUES:	
Taxes -	
Current tax levy	\$ 148,341.31
State Grants -	
Library Aid	3,348.19
Charges for Services -	
Material sales	776.16
VHS/DVD fees	374.35
Late fees & lost books	1,511.42
Copier fees	1,279.92
Total Charges for Services	3,941.85
Fines and Forfeits -	
Penal fines	35,989.37
Interest and Rentals -	
Interest earned	265.33
Other Revenue -	
Gifts & memorials	1,974.68
Miscellaneous	159.74
Total Other Revenues	2,134.42
Total Revenues	194,020.47
EXPENDITURES	76,654.91
NET CHANGE IN FUND BALANCE	117,365.56
FUND BALANCE - Beginning	0.00
Equity transfer from Millington Township Library	52,594.36
FUND BALANCE - End of Year	\$ 169,959.92

MILLINGTON ARBELA DISTRICT LIBRARY  
Tuscola County, Michigan

GENERAL FUND  
DETAIL OF EXPENDITURES  
For the Nine Months ended March 31, 2005

EXPENDITURES:

CULTURAL AND RECREATION:

Library Operations -

Salaries & wages	\$ 38,001.96
Payroll taxes	3,220.06
Fringe benefits	3,005.36
Books	3,915.41
Magazines	1,076.87
Video & Audio tapes	857.87
Material processing supplies	149.64
Insurance	3,066.00
Legal	1,586.36
Alarm system	180.00
Memberships	3,541.86
Telephone	238.11
Internet	872.47
Utilities	4,917.56
Cleaning service	3,400.00
Maintenance & repairs	6,562.64
Office	821.12
Postage	207.84
Workshops & mileage	173.00
Other	860.78

TOTAL EXPENDITURES

\$ 76,654.91